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Retail Foods

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Report Highlights:

Saudi Arabia's retail food market continues its rapid growth, with several leading Saudi as well as international retailers expanding operation in response to strong competition and rapidly changing consumers' preferences. In 2014, the number of food retail outlets in Saudi Arabia was estimated at 42,378, an increase of 2.2 percent from 2013. The total value of food sales at the food retail outlets was estimated at \$41.5 billion in 2014, an increase of 11 percent over the previous year. A recent royal announcement has stipulated that Saudi Arabia will allow foreign investors in the retail and wholesale sector a 100 percent ownership starting 2016. This regulation, if practically implemented, should provide added incentives for internationally renowned food retailers to enter the Saudi market. U.S. exports of consumer-oriented food products to Saudi Arabia reached a record-high of \$578 million in 2014, an increase of about 9 percent over exports in the previous year.

SECTION I. MARKET SUMMARY

Saudi Arabia is the largest importer of food and agricultural products of the Gulf Cooperation Council (GCC) countries, with a total population 150 percent larger than that of the combined population of the five GCC states (UAE, Kuwait, Qatar, Oman and Bahrain). In 2013, Saudi Arabia's population was estimated at about 30 million, and expected to reach 40 million by 2025. This will help boost demand for food imports, as Saudi Arabia relies mostly on foreign suppliers to satisfy about 80 percent of its food consumption needs. The continued economic growth in the past decades helped in raising Saudi Arabia's per capita income to \$25,400 in 2014. Saudi Arabia's population is estimated at 30 million, and expected to reach about 40 million by 2025. This will help increase demand for food imports as Saudi Arabia relies on foreign suppliers to satisfy about 80 percent of its food consumption needs. The high per capita income, changing lifestyle and diets in Saudi Arabia are expected to boost the demand for high quality food products.

The latest available U.N. trade data shows Saudi Arabia imported \$19 billion worth of food and agricultural products in 2014, a decline of about 5 percent from imports in 2013. The top five suppliers of food products to the Saudi market were India with 11.7 percent market share, Brazil 10.8 percent, U.S. 7.8 percent, Germany 3.9 percent and Argentina 3.7 percent. The significant decline in the Saudi agricultural and food products imports was mostly due to lower prices of grains such as corn, wheat, barley and rice.

In 2014, consumer-oriented food products accounted for about 48 percent of the total Saudi agricultural products imports and reached about \$9.1 billion. Brazil was the largest supplier of high value products, with a market share of 14.1 percent, followed by India at 10.8 percent, U.S. at 6.5 percent, France at 5.9 percent and Egypt at 5.6 percent.

According to U.S. Customs data, U.S. agricultural and food products exports to Saudi Arabia in 2014 reached their highest levels, at \$1.37 billion (FOB value), representing an increase of 16 percent compared to 2013. U.S. exports of consumer-oriented food products to Saudi Arabia reached a record high of \$578.4 million, with about 9 percent growth over 2013 and accounted for 42 percent of the total U.S. food exports. Bulk products accounted for 33 percent of the total U.S. agricultural exports, while intermediate products accounted for about 22.5 percent.

U.S. food products are generally viewed as meeting high quality standards compared to those produced locally or imports from other countries. Although U.S. food products command higher price margins compared to imports from Asia and Arab countries, demand for U.S. food products in the Saudi market has been increasing in the past few years.

In 2014, the total value of Saudi retail food sales was estimated at about \$41.5 billion, an increase about 11 percent compared to sales in 2013. The Saudi food retail sector is divided into two categories: modern and traditional grocery retailers. According to Euromonitor, there were a total of 42,378 food retailers operating in Saudi Arabia in 2014. Traditional retailers accounted for about 87 percent, while modern retailers accounted for 13 percent of the number of outlets. In terms of total food sales, modern and traditional retailers accounted for 56.5 percent and 43.5 percent market share, respectively last year.

The number supermarkets and hypermarkets in Saudi Arabia, currently stands at 1,170, is relative small and accounts for about 2.8 percent of the total retail outlets. However, they accounted for about 41 percent of total grocery sales in Saudi Arabia in 2014, which was estimated at \$41.5 billion. With the expected expansion in the number of food retail outlets, mostly hypermarkets and supermarkets, the overall food sales at the retail outlets are projected to reach about \$60 billion by 2019.

The changing lifestyles in Saudi Arabia have created an excellent opportunity for many of the hypermarkets to introduce ready-to-eat meals and take-away food dishes as a substitute for home cooking for many of the working families. This food service is very popular, especially with working women and millions of single foreign expats working in Saudi Arabia.

Currently, there are no food retailers that offer online/internet sales of food products in Saudi Arabia. Al-Othaim Supermarkets, the second largest food retail chain in Saudi Arabia, introduced internet based grocery sales in the city of Riyadh in 2011, but the service was discontinued in the summer of 2013 due to lack of interest from its customers.

Key factors driving the huge growth in retail food sales:

- a) **Population Growth:** the Saudi population which estimated at 30 million in 2014 grows at a rate of about 3 percent annually and is expected to reach 40 million by 2025. Currently, more than 70 percent of Saudis are under the age of thirty.
- b) **Increased Disposable Income:** Saudi Arabia's economic growth in recent years has helped in increasing per capita income, from \$20,267 in 2008 to \$25,400 in 2014. With higher income, large number of Saudis can afford to shop high quality food products at retail outlets; and Saudis spend about 27 percent of their income on food. The Saudi government offers various direct or indirect subsidies to keep the prices of staple food products at very low levels.
- c) **Increase in the Number of Retail Outlets:**

In 2014, the total number of food retail outlets in Saudi Arabia was estimated by Euromonitor at 42,378, an increase of 2.2 percent over 2013. The total number of food retail outlets is projected to reach about 50,000 by 2019, an increase of about 18 percent over 2014. The total value of Saudi retail food sales in 2014 was estimated at about \$41.5 billion, an increase about 11 percent compared to sales in 2013. The total value grocery sales by the retail outlets is forecast to reach about \$60 billion in 2019, an increase of about 45 percent over 2014.

Saudi food retailers carry a wide range of food products, from domestically processed foods to imported upscale specialty and organic food products. The fast growth of retail food outlets in Saudi Arabia provides an excellent opportunity for U.S. suppliers of consumer products to expand their exports throughout the Kingdom. U.S. exports of consumer-oriented food products to Saudi Arabia have been rapidly growing, totaling \$578.4 million in 2014, about 9 percent growth over 2013. In 2014, the top ten U.S. processed foods product categories imported to Saudi Arabia were dairy products, tree nuts, processed vegetables, prepared foods, condiments

and sauces, snack foods, prepared foods, fresh fruit, chocolate and cocoa products and poultry meat.

- d) **Other Factors:** Other factors that have been contributing to the growth of modern retail chains are the increased urbanization, more exposure to high quality foods and westernized food consumption patterns via satellite television advertisements, grocery shopping as a form of family outings, changing lifestyles, and a craving by Saudi consumers for more variety foods.

New regulations allowing foreign investors in the Saudi retail sector 100 percent ownership

In September 2015, Saudi Arabia General Investment Authority (SAGIA) announced that it will allow foreign investors to have 100 percent ownership in the Saudi retail and wholesale sectors. SAGIA's announcement came at the direction of Saudi Arabia's King Salman during his visit to the United States in early September 2015. SAGIA has indicated that it will soon issue the rules and conditions that foreign investors need to fulfil in order to benefit from the new investment regulations for investment in the retail and wholesale sector starting in 2016. This important decision should provide added incentives for international food retailers such as Walmart, Tesco, Sainsbury's to consider the Saudi market. If actually implemented, it should have a very positive impact in restructuring of the Saudi retail sector, increasing productivity, efficiency, economic growth as well as providing training and employment opportunities for young Saudis.

Advantages and Challenges for U.S. food suppliers in the Saudi Market

Advantages	Challenges
The U.S. is considered a supplier of quality food products. Major retail chains are constantly looking for new to market U.S. products.	Price competitiveness of local products and imports from EU, Brazil, Turkey, New Zealand and Asian countries has impacted U.S. market share.
Saudi Riyal (SR) is pegged to the U.S. dollar at the rate of \$1 to 3.75 SR.	Freight costs from the U.S. are higher than those from export competitors in Europe and Asia.
High per capita income and purchasing power help increase demand for relatively expensive imports	Local importers prefer to initiate business deals with small orders; conditions many U.S. exporters are not willing or able to meet.
Hypermarkets have become popular destinations for shopping as well as family outings.	Saudi Arabia maintains dual date labeling system (production and expiration) for all food products.
The U.S. is recognized among the business community as a reliable supplier.	High markups, listing and other fees that major retailers charge significantly increase the cost of launching new products in the Saudi market.
Consumers have affinity for trying new food products.	Some food retailers require to get reimbursed for expired products they sell in their outlets.
<p>Ready-to- eat meals, fast-food and take-away foods are becoming increasingly popular with the young Saudi population.</p> <p>An increasing number of pilgrims come to Saudi Arabia every year (over 8 million pilgrims) create demand for food products targeting institutional customers.</p>	General lack of brand awareness and loyalty by most of the Saudi consumers.
The about 10 million expats that live and work in Saudi Arabia create a strong demand for diversified and ethnic food imports.	Negative consumer attitude towards food containing or made from biotech products.
Saudi retail outlets are well equipped to carry all types of food products, including fresh as well as frozen items.	Some consumers perceive U.S. food products as promoting relatively unhealthy life-style.
Most Saudi food regulations and standards are typically based on CODEX Alimentarius regulations and to some extent on EU and U.S. FDA regulations, but are modified to reflect local religious, cultural and climatical conditions.	Rejection of food packages which contain health claims and trade logos that may imply religious connotation, such as the “Cross” or the “Stars of David”.
	Continued import bans on U.S. beef since 2012 because of a case of BSE in a dairy cow in the state of California.
	Bans on poultry meat and egg products imported from several U.S. states confirmed the presence of highly pathogenic avian influenza (HPAI) in their poultry farms

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

In general, leading hypermarkets and supermarkets import a relatively small percentage of the total Saudi imports of consumer packed food products directly. Some of these outlets import a limited range of food products under their own brand names for distribution to their outlets in order to save cost and increase profit margins. There are a few U.S. exporters who are currently engaged in these kinds of food export channels. The U.S. suppliers usually do not carry any stocks and their role is to help source Saudi importers of high value food products directly from the U.S. at agreed prices that will give the U.S. supplier reasonable profit margins. The importers play a critical role in navigating the maze of the Saudi food import regulations and standards, and eventually the success of the new food product entering into the Saudi market.

The key to establishing a successful and growing business in Saudi Arabia is for U.S. supplier to get connected with a reputable Saudi food product importer. The U.S. exporter should look for partner with a knowledgeable and reliable domestic importer who knows how the Saudi retail food sector operates. The prospective importer should have a professional sales team and strong distribution network Kingdom-wide or at least in the major Saudi cities, particularly in Riyadh, Jeddah, Makkah, Medina, Dammam, Taif and Al-Khobar, where the bulk of the hypermarkets and supermarkets is concentrated.

Most food importers in Saudi Arabia are specialized in certain products, while some may deal with dry foods or import frozen and chilled food products, others handle fresh fruit and vegetables. It is very rare to find one company that imports all food categories. Some major hypermarkets and supermarkets import limited quantities of dry, frozen and chilled meat, fruit and vegetables. Some importers will deal with a new-to-market product only if it has a good potential, could import the product under their own brand names, or be exclusive agents. They may also ask for the exporters' commitment not to deal with competitor importers in their geographical regions. The following is suggested guideline for U.S. companies considering entering the Saudi retail food market:

- i. Obtain an updated list of Saudi food importers and their contact information from the OAA Riyadh. Contact the importer directly to introduce your company, products and discuss future business.
- ii. Exhibit at regional shows: it is vital that prospective U.S. retail food products exporters consider exhibiting at regional food shows, particularly the Gulfood Show, which is held in Dubai annually. The Gulfood is the most important trade event for Saudi agribusiness, where more than 4,500 Saudi companies attend the show each year. Other regional food shows that attract a significant number of Saudi food buyers include Anuga in Cologne, Germany and SIAL in Paris. There are also a few smaller domestic food shows held annually in Jeddah and Riyadh.
- iii. A visit to Saudi Arabia will enable U.S. exporters to meet one-on-one with key potential importers to introduce products and discuss potential business deals. The visit should assist the U.S. exporters to see for themselves importers distribution network, evaluate product lines and

provides the opportunity to size up prospective importers as to whether or not they are good fit. Over all, the face-to-face meetings should help build trust and confidence. Most Saudi businessmen speak English. OAA Riyadh would be happy to assist in setting up business meetings and provide other required assistances for U.S. companies who are interested to visit Saudi Arabia.

U.S. exporters should be aware of the financial costs that a food importer would incur in order to get a new product listed at one of the major retailers, such as listing fees, new store opening fees and rebates for expired items etc. The Saudi importers tend to spend a significant amount of time negotiating these issues with prospective U.S. suppliers in order to get favorable import prices. As a result, reaching an export deal with a potential Saudi importer could take months of strenuous negotiations before a deal is concluded. According to trade contacts, a Saudi importer may ask a prospective U.S. exporter to pay for hypermarket\supermarket's listing fees a new product that could range between \$300 and \$18,000 for each stock keeping unit (SKU) to be listed at the retail outlet. The amount of listing fees usually depends on the size of the retail chain, its popularity and market share. For example, Panda food retail chain (the largest retailer in Saudi Arabia with 52 hypermarkets, 102 supermarkets and 210 Pandati convenience store) charges listing fees up to \$18,000 per SKU for most new-to-market importers. Large importers that carry well-known brand names would have more clout in negotiating lower listing fees than smaller suppliers.

Other fees that local hypermarkets and supermarkets charge food importers include new store opening fees, which range between \$1,330 and \$8,000 per supplier. They may also charge importers annual rebates of 5 to 15 percent of their annual sales. In addition, distributors are often asked to contribute to advertising and promotional campaigns, and to provide at least 60-day interest free payment terms as well as reimbursements for expired food products. In order to account for these charges and obtain reasonable returns on their investments, some local importers add 100 percent markup margin on their imported food products. The U.S. exporter should assess the Saudi importer's distribution capacity and make sure that the importer can accommodate the retail outlets requirements. In general, most Saudi food importers are financially sound and usually do not default on payments. However, it is recommended for a new-to-market exporter to ask his prospective importer for an irrevocable letter of credit until close working relationships and mutual trust are established.

B. Competitiveness Analysis

U.S. food products are generally viewed as meeting higher quality standards compared to imports from other countries or those produced locally. U.S. origin and brand products have highly favorable consumer preferences and are well in demand so long as they are priced competitively. Some local retailers often put shelf talkers or signs to identify U.S. products and to impress their customers that they carry high quality products.

Growing competition from improving qualities of both locally produced and competitively priced imported food products from third countries threaten the continued expansion of U.S. foodstuff exports to the Kingdom. Food products produced in Gulf Cooperation Countries (GCC) countries enter Saudi Arabia duty free. Foodstuffs imported from other Arab countries, South Africa, Latin America, New Zealand, Australia and Asian are often lower priced than similar U.S. products because of mostly lower

shipping costs. Usually, local importers prefer to initiate business deals by making small trial orders; conditions that many of U.S. exporters are not willing or able to accommodate.

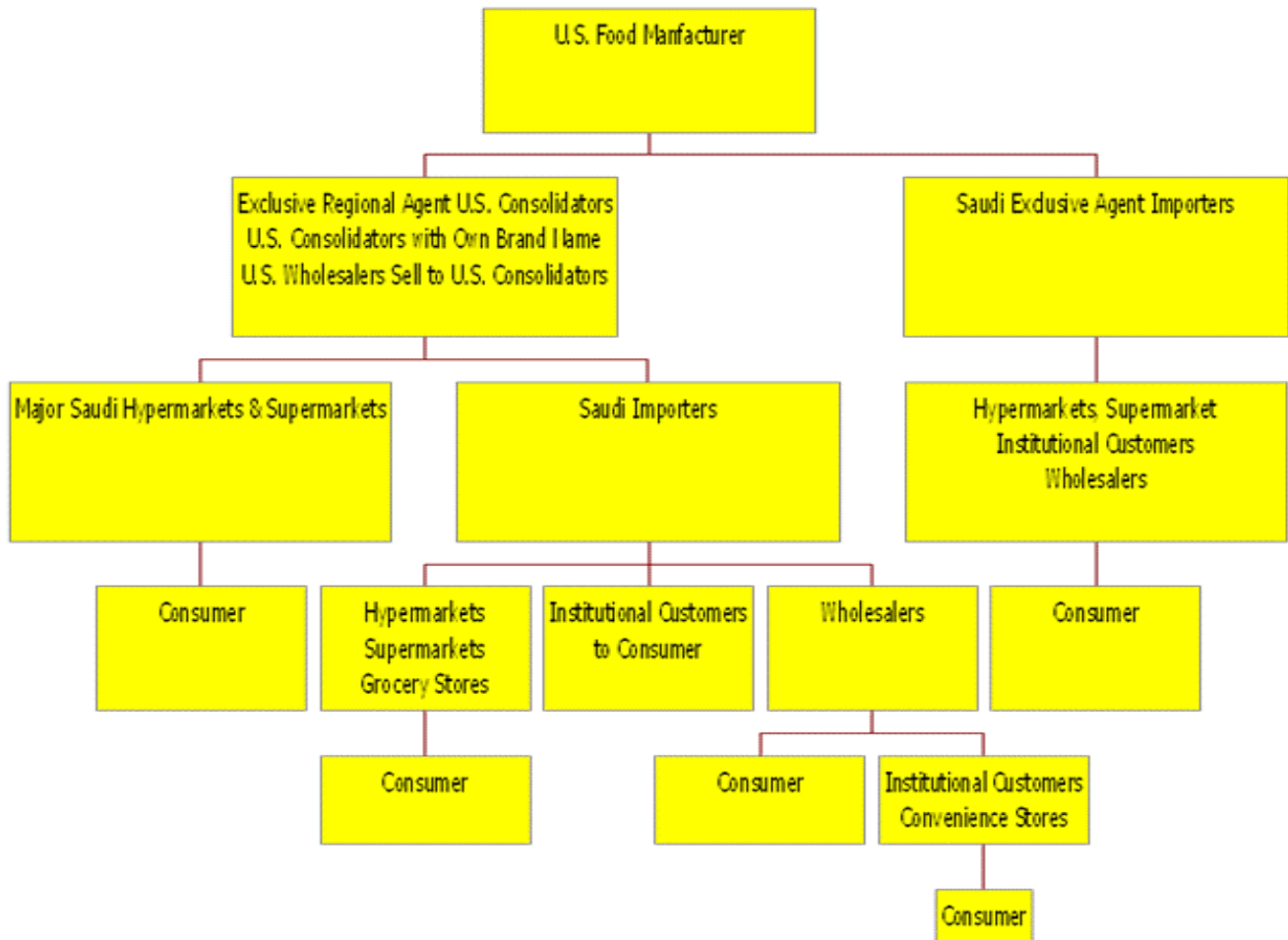
C. Market Structure

- Most U.S. food suppliers usually sell directly to their Saudi agents, pack for Saudi private label owners or sell exclusively to a U.S.-based consolidator.
- U.S. consolidators sell mostly to Saudi importers and, to some extent, to major retailers. Often, the consolidator is the sole regional agent of the U.S. manufacturer or brand owners covering the entire Middle East and African regions. The consolidators may also provide other services such as placing Arabic stickers or labels on food packages. Sticking is a laborious task and many manufacturers do not want to bother with it.
- Most major Saudi importers operate well established country distribution networks and sell directly to retailers, wholesalers and the HRI sector.
- Chain retailers have central purchasing offices where each outlet sends purchase orders on a daily basis. The central purchasing offices consolidate the orders and make the local or international purchases accordingly.
- The wholesalers usually sell to smaller retailers, HRI clients or directly to consumers. There are many wholesalers in the major cities throughout the Kingdom.

D. Distribution Channels Flow Chart

The Saudi retail units are divided into two main categories: modern and traditional (bakalas) food retailers. Supermarkets and hypermarkets combined accounted for more than 72 percent of total food sold by modern retail outlets in 2014.

The flow chart below highlights the various marketing and distribution channels through which an imported food product will be handled from its arrival into the Saudi market.



1. Supermarkets

Supermarkets sizes range from 500 to 5,000 square meters, five or more checkout counters with complete self-service, modern IT systems and which carries comprehensive grocery and other products such as produce, butchery, bakery, frozen, chilled, and non-food ranges. Products are supplied direct from suppliers and in 2014 there were about 736 supermarkets in Saudi Arabia, an increase of 8 percent over 2013, accounting for about \$10.1 billion of all food products sold by retailers in that year. Major Saudi supermarket chains such as Tamimi and Danube import a significant percentage of food products directly from the United States, employing consolidators. The products they import include cheese products, nuts, fresh fruit, condiments & sauces, cereals, ketchups, fruit juices, vegetables and several varieties of high value food products directly from the United States. Some products like strawberries, lettuce, and other fresh produce are shipped by air, while most products by shipped by sea containers.

Major Saudi hypermarket and supermarkets chains attend U.S. based FMI show and as well as regional shows such as Gulfood in Dubai, SIAL in Paris and Anuga in Cologne, Germany to seek new products and establish contacts with potential U.S. suppliers.

Hypermarkets and supermarkets strive to reduce costs and enhance their competitive position in the market. The Saudi retailers are constantly searching for new products, and often request support from the suppliers for product promotion and advertising. Product advertisement is a necessity to win Saudi

consumers. Competitive pricing, weekly promotional offers, as well as offering advertisement support are key elements for a successful strategy for a new-to-market product entering the Saudi food market.

2. Super Stores (Hypermarkets)

Hypermarkets were first introduced into Saudi Arabia in 2004. Their sizes are huge (about 200,000 square feet or 18,580 square meters) and have up to 50 checkout counters. They usually carry over 50,000 items including foodstuffs, clothing, tools, toys, and electronics. In 2014, there were about 432 hypermarkets (an increase of 37 outlets from 2013). They are mostly located in the three major cities of the Kingdom (Riyadh, Jeddah and Dammam). Hypermarkets accounted for about 17 percent or about \$6.9 billion of the total retail food product sales in Saudi Arabia in 2014. Some hypermarkets such as Hyper Panda, Al-Othaim, Danube, Lulu, and Carrefour directly import parts of the food sold in their outlets. Shopping at hypermarkets is becoming very popular as it offers outings for the family and is considered a form of entertainment that substitutes going to movie theaters. Many hypermarkets have play grounds for children and families tend to spend several hours during their shopping trips in the vicinity of hypermarkets.

The total number supermarkets and hypermarkets, currently stands at 1,170, is relatively small and only represents about 2.8 percent of the total retail outlets. However, these outlets accounted for about 41 percent of total grocery sales in Saudi Arabia in 2014, which was estimated at \$41.5 billion. With the expected expansion in the number of food retail outlets, mostly hypermarkets and supermarkets, the overall retail food sales is projected to reach about \$60 billion by 2019.

3. Traditional (bakalas) Food Retailers

Convenience stores, commonly referred to as bakalas are found in every neighborhood. They have floor size of up to 100 square meters. Bakalas have limited access to distributors. They deal on a cash basis and purchase most of their stocks from wholesalers except for a few fast moving brands that are delivered by importers. Despite the growing number of modern supermarkets in Saudi Arabia, the food-retailing role of bakalas continues to be important. In 2014, the number of bakalas was estimated at 36,787 outlets and increased by 672 outlets compared to 2013. Bakalas accounted for 43.5 percent or about \$18.1 billion of all food products sold by retailers in 2014. The number of bakalas is expected to continuously grow with the increased urbanization.

Prices tend to be high but bakalas maintain an advantage over supermarkets by providing services to shoppers looking to quickly buy a few items. A number of bakalas have developed a credit system that allows customers to pay at the end of the month. Women in Saudi Arabia are not permitted to drive and depend on bakalas within walking distance of their homes. Also bakalas are very important to third country nationals working in the Kingdom who do not own automobiles. Most compounds housing expatriates contain one or more corner grocery stores.

Bakalas are filled with many consumer-oriented products originating from the United States and most have refrigeration and the capacity to store frozen foods. In addition to corner grocery stores, there are hundreds of ethnic stores in the Kingdom, catering to Indians, Pakistanis, Filipinos, and other Asians. Foods from many parts of the world are found in the Kingdom. Unlike large retailers, bakalas offer credit services to neighborhood customers who can pay at the end of each month. These small retailers

also provide home delivery services for groceries worth as little as 10 Saudi riyals (\$2.67). The bakalas use motorbikes to deliver groceries to their neighborhood customers.

A. Profiles of Major Saudi Hypermarkets and Supermarkets

There are no specialized food publications or retail outlet journals in Saudi Arabia. Reliable data on food retailers' sales and floor space figures are not readily available. Below is a summary profile and information we collected on major food retailers in the Kingdom.

Retailer Name & Market Type	Ownership	No. of Outlets	Locations (city/region)	Purchasing Agent Type
Panda Supermarkets	Saudi	364 retail outlets (52 hypermarkets & 102 supermarkets and 210 Pandati convenience store)	In major cities across the Kingdom and has one store in Cairo, Dubai	Direct imports as well as domestic purchase.
Al-Othaim Supermarket	Saudi	130 retail stores(8 Hypermarkets, 92 supermarkets, 10 Wholesale Outlets, 20 corners stores	Central, Northern, Eastern and Western regions.	Direct importer as well as domestic purchaser.
Farm Supermarkets	Saudi	56 supermarkets and 17 mini markets	Eastern, Western and Southern regions.	Domestic purchaser and importer.
Al Raya Supermarkets	Saudi/UAE	47 supermarkets	Western and Southern regions.	Domestic purchaser and importer.
Tamimi Markets	Saudi	23 supermarkets	Central and Eastern regions.	Direct importer as well as domestic purchaser.
Bin Dawood Supermarkets	Saudi	20 retail outlets (15 supermarkets and 5 hypermarkets)	Western region	Domestic purchaser and importer.
Carrefour Saudi Arabia	Saudi/UAE under license from Carrefour France	16 hypermarkets	Eastern, Western Central and Qassem regions.	Direct importer as well as domestic purchase.
Danube Supermarkets	Saudi	16 retail outlet (11 hypermarkets & 5 supermarkets)	Western, Central and Eastern regions.	Direct importer as well as domestic purchaser.
Balsharaf Supermarkets	Saudi	13 supermarkets and 5 wholesale outlets	Central region.	Direct importer as well as domestic purchaser.
Al Sadhan Supermarkets	Saudi	8 retail outlets (4 hypermarkets & 4 supermarkets)	Central region.	Direct importer as well as domestic purchaser.
Lulu	UAE	5 hypermarkets	Central and eastern regions.	Direct importer as well as domestic purchaser.
Nesto Hypermarkets	UAE	5hypermarkets	Western, Central and Eastern regions	Direct importer as well as domestic purchaser.
Manual Hypermarkets	Saudi	4 hypermarkets	Western region	Direct importer as well as domestic purchaser.

Additional information on major Saudi food retailers

1. Hyper Panda, Panda Supermarkets and Pandati Mini Market chains are owned by Azizia Panda United Co., a subsidiary of SAVOLA Group. The SAVOLA Group is the leading food products

producer and retailer in Saudi Arabia with business interests in edible oil, sugar, dairy farm, confectioneries, fast food restaurants and packaging. With 52 hypermarkets, 102 supermarkets and more than 210 Pandati Mini Markets, the firm is the largest food products retailer in Saudi Arabia. The company has plans to increase the number of its outlets to 250 by 2020. In 2007, the company entered international operations by opening its first hypermarket in Dubai. In September 2015, the company inaugurated its first hypermarket in Cairo, Egypt as part of a two-year plan to open up to 16 outlets in various Egyptian cities.

2. With 92 supermarkets, 8 hypermarkets, 10 wholesale outlets and 20 corner stores, Al-Othaim Markets is the second largest food products retail chain in Saudi Arabia. Al-Othaim's other business include food products imports under own brand names, food production and ownership of shopping malls. Al-Othaim is the second largest retailer after SAVOL Group's Panda retail chain.
3. Saudi Marketing Company (FARM Superstores) was established in 1978 in Dammam. Currently, it operates a chain of 56 supermarkets operating in the eastern, western, southern and Northern provinces of Saudi Arabia. Besides, the company owns and operates 17 mini markets serving upscale residential compounds.
4. Al Raya Supermarkets chain was set up in Jeddah in 1992. Since then the retailer has increased the number of its stores to 47 covering seven regions (Jeddah, Yanbu, Najran, Taif, Khamis Mushayt, Baha, Sabya and Jizan.) The company is owned by Saudi and UAE investors. Al Raya has plans to open five new stores annually for the next few years.
5. Tamimi Markets, which was launched in Riyadh in 1979, is considered the pioneer of the upscale supermarket concept in Saudi Arabia. The firm currently has 23 stores in the Eastern and Central Provinces of the Kingdom. Tamimi Markets carries the largest range of American foodstuffs compared to any supermarket in Saudi Arabia. Tamimi has plans to open additional 35 supermarkets in Saudi Arabia by 2020, raising the total number of its supermarkets to 60. Tamimi Markets is one of 30 companies owned by the Dammam based Tamimi Group. The group's business interests range from upscale catering company to chemical, electrical and power manufacturing.
6. Bin Dawood Supermarkets chain was founded in Jeddah in 1962 with businesses that include supermarkets, bakeries, restaurants, catering, manufacturing, direct imports and exports. Currently, the firm has 15 supermarkets and 5 hypermarkets covering the cities of Jeddah, Makkah and Medina.
7. Carrefour Hypermarkets (Saudi Hypermarkets CO) was established in Riyadh in 2004 as a joint-venture between Al-Olayan Group (Saudi company) and the Majid Al-Futtaim Group (U.A.E. company). Currently, the company has 16 hypermarkets in four main Saudi regions. Carrefour has plans to increase the number of its outlets to 20 in the next few years.
8. Danube Supermarket chain was established in Jeddah in 1987. In 2001, the outlet was purchased by Bin Dawood Group of Companies. Currently, Danube has 11 hypermarkets and 5 supermarkets in Jeddah, Riyadh and Al-Khobar.

9. Balsharaf Supermarkets is one of subsidiaries of Balsharaf group which was established in 1955 as a small corner store in Mecca. Currently, Balsharaf Supermarkets operates twelve retail outlets and five wholesaler operations in Riyadh. Another company in Balsharaf Group is Balsharaf Importing Company. The firm imports and distributes food products to more than 16,000 retailer outlet across.
10. Al Sadhan Supermarkets was established in Riyadh in the 1970s. Currently, the firm has 4 hypermarkets and 4 supermarkets in Riyadh. The firm has plans to increase the number of its retail outlets to 18 in the next ten years.
11. Nesto, a Dubai based retailer which has currently 5 hypermarkets. The firm has plans to open four more hypermarkets in Saudi Arabia in the next two years. Its supermarkets cover up to 200,000 square feet of retail area.
12. Lulu Hypermarket chain, which entered the Saudi food retail market in 2009, is owned by EMKE Group, Abu Dhabi, United Arab Emirates based company. Currently, it has 5 hypermarkets in the central and eastern regions. Like other hypermarkets in Saudi Arabia, Lulu caters to the growing consumer demands that include all types of food products, garments, electronics and home appliances. Lulu Hypermarket is the most preferred retail chain among the South Asian expatriates community residing in Saudi Arabia. Lulu has plans to open 15 more outlets in major Saudi cities in the next few years. Currently, the chain operates 117 stores across the UAE, Oman, Bahrain, Kuwait, Qatar, Saudi Arabia, Yemen, Egypt and India. Lulu plans to open 15 hypermarkets in Indonesia and 10 hypermarkets in Malaysia in the next five years.
13. Manual Hypermarket was established in 2010 by a group of Saudi investors and currently has four hypermarkets in Jeddah. The firm plans to open three new hypermarkets in 2016.
14. There are several regional supermarkets that have one or more stores such as Sunbulah, Euromarche, Jazeera, Star, Sarwat, Mandarin, Badruddine, Matajer, Nakheel, Nouri, Anoud, Refaat, Surat, Astra and Consumer Oasis. These supermarkets and others are estimated to have a combined total of 180 outlets.

SECTION III. COMPETITION

U.S. faces fierce competition in the Saudi food import market from major suppliers such as Brazil, India, Netherlands, China, Thailand, Turkey, France, Belgium, New Zealand, other EU countries. The catering and restaurant subsectors are very price sensitive, due to the stiff competition that prevails in the market. Catering companies and fast food chains compete on both prices and quality. They seek suppliers that provide good quality products at most competitive prices. The table below illustrates quality and price competitiveness from the major suppliers' countries, which have affected U.S. market share in many high value products in the Saudi market.

Table 1: Saudi imports of select food products by major supplier in 2014

Product Category and Total Import Value	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Dairy Products \$1.8 billion	New Zealand (26%), U.S. (10%), Netherlands (9%), France (7%), Bahrain (5%) Australia (5%)	Price competitiveness and quality are the key factors in making purchasing decision in this market. New Zealand has been the dominant export of cheese to Saudi Arabia.	Some local food processors imports cheese blocks for repacking into smaller consumer-sizes for sale in the market.
Frozen Broiler Meat \$1.5 billion	Brazil (81%), France (15%), U.S. (2%)	Brazil is the most price complete supplier that also meets food service size, moisture and fat content requirements.	Local broiler meat production accounts only for 47 percent of total consumption.
Fresh Fruit \$690.6 million	Egypt (20%), South Africa (13%), India (8%), Turkey (7%), U.S (5%), Chile (5%)	Price and availability are the major criteria when importing fresh fruit.	Saudi Arabia produces very limited fruits such as citrus, grapes, and pomegranate.
Processed Vegetables \$527.9 million	Egypt (14%), Netherlands (17%), U.S. (12%), China (10%), Belgium (10%), Spain (10%)	U.S. exports of these products have been steadily increasing in recent years due to its price competitiveness and quality	Some local food processors imports blocks of frozen vegetables for repacking into smaller consumer-size containers for sale in Saudi market.
Beef \$501.7 million	India (50%), Australia (32%), Pakistan (7%) New Zealand (5%), Jordan (2%), Canada (1%)	India and Australia benefited the most from SFDA beef import bans placed on U.S. and Brazilian beef imports.	No significant beef production in the country.
Vegetable Oils, excluding palm oil \$429.3 million	U.S. (23%), Ukraine (15%), Oman (17%), Malaysia (11%), Spain (7%), Turkey (5%)	U.S. has been the leading corn oil supplier to Saudi Arabia for the past decades. Recently, however, Ukraine and Oman have been increasing their market shares. Oman does not produce its own corn oil but imports in bulk, retail pack and re-export mainly to the GCC countries. Indonesia is the dominant supplier of palm oil to Saudi Arabia.	Saudi Arabia does not produce cooking oil. Saudi companies such as SAVOLA Oil Company imports refined palm and corn oil and retail pack them for local distribution.

Table 1 continued. Saudi imports of select food products by major supplier in 2014

Product Category and Total Import Value	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Snack Foods \$355 million	Italy (20%), Turkey (114%), Poland (11%), China (9%) Netherlands (6%), U.S. (4%)	EU countries to dominate the snack food sector due to products quality and competitive prices,	Local snack food producers depend on imported raw materials and they do not pay import tariff on food products imported for reprocessing.

Fish and Seafood Products \$327.7 million	Thailand (32%), Yemen (25%), Indonesia (17%), India (13%), Norway (5%), Oman (5%) U.S. (1%)	Thailand has been the dominant and the most price competitive supplier of fish and seafood supplier to Saudi market.	Saudi Arabia has recently become a significant exporter of high quality commercial produced red sea shrimp to EU, U.S. and Japan.
Fresh Vegetables \$283.4 million	Egypt (32%), Jordan (29%), China (12%), Netherlands (8%), India (5%) and U.S. (2%)	Egypt has been gaining market share in the fresh vegetables market due to its price competitiveness compared to other suppliers.	Saudi Arabia is 85 percent self-sufficient in fresh vegetables production. Prices of locally produced vegetables are usually higher than imports.
Spices \$259.3 million	India (32%), Guatemala (28%), China (17%), Pakistan (8%), Singapore (4%), U.S. (2%)	Indian, Guatemala and Asian countries have been the traditional suppliers of spices to Saudi Arabia because availability of abundant variety of spices at competitive prices.	Saudi Arabia does not produce spices. It depends on imports meet its spices need.
Processed fruit \$194.5 million	India (23%), China (11%), U.S. (12%), Thailand (8%), Egypt (7%), Turkey (7%), Canada (6%)	U.S. exports of these products have been steadily increasing in recent years due to its price competitiveness and quality.	Some local food processors imports blocks of frozen fruit and vegetables for repacking into smaller consumer-size containers for sale in Saudi market.
Condiments & Sauces \$193.5 million	Indonesia (32%), U.S. (26%), Oman (18%), U.K. (6%), Egypt (4%),	Indonesia has been the largest Condiments & Sauces supplier to Saudi Arabia because of its competitive prices. The U.S. is known as the supplier of high qualities sauces in Saudi Arabia.	Local production in this group is limited mostly to ketchup processing and its quality has been improving.
Tree Nuts \$168.6 million	India (34%), United States (42%), Turkey (7%), Sri Lanka (5%), China (3%)	Almonds accounts for the largest percentage of tree nuts imported to Saudi Arabia. The U.S. has been a dominant supplier of almonds to Saudi Arabia for the past several years.	No local production of tree nuts.

SECTION IV. BEST PRODUCT PROSPECTS

The following is a list of some consumer ready food products with high export potential.

Potato chips and savory snacks, mayonnaise, tomato ketchup, sauces, beverage ingredients non-alcoholic beer, tree nuts, dairy products, red meats, fresh apples and pears, processed fruits and vegetables, jams and jellies, fruits and vegetable juices, honey, sweet pastry and biscuits, dietetic foods, snack foods, poultry meat, fresh fruit, processed fruit and , vegetables, organic foods.

V. KEY CONTACTS AND FURTHER INFORMATION

1. Post Coordinates

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Tel: 966-11-488-3800 Ext. 4351
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2. OAA Riyadh Reports

Several reports on the Saudi food industry published by the Office of Agricultural Affairs in Riyadh can be accessed by visiting FAS website at the link below:

<http://gain.fas.usda.gov/Pages/Default.aspx>